March 24, 2015

MEMORANDUM FOR SUPPLY AND SUPPLY DISCREPANCY REPORT PROCESS REVIEW COMMITTEE (PRC) MEMBERS

SUBJECT: Proposed Defense Logistics Management Standards (DLMS) Change (PDC) 1164, Revise DLMS 940R Materiel Release Order (MRO) and DLMS 945A Materiel Release Confirmation for Carrier Account Data Associated with Directed Return of Discrepant/Deficient Materiel and Related Administrative Updates (Supply/SDR)

We are forwarding the attached proposed change to DLM 4000.25, Defense Logistics Management Standards, for evaluation and submission of a single coordinated Service/Agency position. It is the responsibility of the Component Supply PRC representative to ensure full coordination of the proposal within your Component.

Request you review the attached proposed change and provide your comments/ concurrence to Defense Logistics Management Standards Office not later than **30** days from the date of this memorandum. If non-concurrence is provided, please provide an alternate method to meet the requirement being addressed.

Addressees may direct questions to Ms. Ellen Hilert, DOD MILSTRIP Administrator, 703-767-0676 or DSN 427-0676, e-mail: ellen.hilert@dla.mil, or Ms. Heidi Daverede, DOD MILSTRIP Alternate, 703-767-5111; DSN 427-5111, e-mail: heidi.daverede@dla.mil. Others may contact their Component designated Supply PRC representative available at: https://www2.dla.mil/j-6/dlmso/CertAccess/SvcPointsPOC/allpoc.asp.

DONALD C. PIPP
Director
Defense Logistics Management
Standards Office

Attachment
As stated

cc:
ODASD (SCI)

PDC 1164
Revise DLMS 940R Materiel Release Order (MRO) and DLMS 945A Materiel Release Confirmation for Carrier Account Data Associated with Directed Return of Discrepant/Deficient Materiel and Related Administrative Updates

1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

    a. Technical POC: DLA Distribution, J4-BC, 717-770-5006

    b. Functional POC: DLA Distribution, J4-BC, 717-770-5006

2. FUNCTIONAL AREA:

    a. Primary Functional Area: Materiel Release and SDR/PQDR

    b. Secondary Functional Area: Transportation

3. REFERENCES:

    a. [DLM 4000.25-M, Defense Logistics Management Standards, Volume 2, Supply](#)

    b. DLA Audit Report OIG-FY-14-05, Supply Discrepancy Reports – Vendor Follow-up and Resolution, dated February 7, 2014

4. REQUESTED CHANGE(S):

    a. Brief Overview of Change: This change proposes incorporation of carrier and associated account data in the DLMS 940R MRO for the purpose of communicating return shipping instructions to the storage activity. Identification of the carrier and applicable account number will permit systemic logic within the storage activity to read and apply the data thereby enabling the transportation costs to be assumed by the vendor to which discrepant materiel is being returned. Use of the directed carrier will be confirmed by repeating the carrier and account information in the DLMS 945A.

    b. Background: DLA Audit Report OIG-FY-14-05, 7 February 2014, provided a finding "DLA Incurred Shipping Costs." Among audited SDR transactions, DLA incurred about $2,000 as a result of the distribution center's failure to properly follow instructions provided on 46 audited SDRs. Recommendation 8 was presented to "Identify and evaluate the gaps in the process that are preventing the depots from returning discrepant material to the vendor at vendor expense. Make systemic changes to DSS that will allow warehouse employees to consistently return material at vendor expense for both small parcel and freight."

    c. Requested Change in Detail: DLMS transactions must be updated to support standard formatting to systemically provide/read/confirm the carrier name, Standard Carrier Alpha Code (SCAC), and carrier account number for accomplishing directed return of discrepant/deficient materiel to the vendor. This is data is specifically applicable when the materiel owner has coordinated with the vendor for disposition of the nonconforming materiel and the vendor has agreed to assume the transportation cost for the return movement. However,

it could be used for other scenarios where the owner wants to ensure that a specific carrier and carrier account number are used. Revise DLMS 940R Material Release to provide Carrier Name, with its associated SCAC, and the applicable Carrier Account Number. Depot is required to ship using the designated carrier and account number provided in the MRO; no other routing logic or transportation contracts can be used. The Carrier Name, SCAC, and Carrier Account Number will be perpetuated to the DLMS 945A Materiel Release Confirmation.

        d. Revisions to DLM 4000.25 Manual:

        (1) DLM 4000.25, Volume 2 revisions are shown at Enclosure 1

        (2) DLMS Implementation Convention (IC) revisions are shown at Enclosure 2. This change is applicable to the DLMS 940R and the DLMS 945A (Version 4010 and Version 4030).

        e. Proposed Transaction Flow: No change to existing transaction flow.

        f. Alternatives: Provide carrier information offline or by using a remarks data field in the MRO (e.g., the narrative field used for delivery instructions (2/NTE01/0450 Code ORI).

5. REASON FOR CHANGE: This change accommodates communication of carrier information using enhanced DLMS transactions to facilitate payment of transportation charges by a third party. This will reduce the cost to Government for discrepancies/deficiencies attributed to the vendor.

6. ADVANTAGES AND DISADVANTAGES:

        a. Advantages: This change will facilitate standardized transmission of carrier and account information to storage activities or customers when directing shipment of discrepant/deficient materiel. Standardizing this information will improve recognition and processing of transportation charges to the correct party.

        b. Disadvantages: None noted.

7. ADDITIONAL FUNCTIONAL REQUIREMENTS: SDR disposition instructions provided to DLA distribution centers on SDR replies requiring the shipment of the discrepant materiel to another location, (e.g., return to the vendor) will precede the DLMS 940R Materiel Release. The DLMS 940R is required to ensure the audit history for this materiel is properly recorded.

Staffing Notes:

1. Components must ensure the MRO is provided and not rely on the distribution center to generate the necessary transaction to drop the inventory and issue the materiel. (This requirement is also applicable to disposal release orders (DRO) when the SDR directs disposal of the discrepant materiel.)

2. The distribution center must be able to link the materiel associated with the MRO (or DRO) with the specific materiel identified in the SDR. It is not clear if there is a potential for misaligning the intended MRO (or DRO) materiel with the applicable SDR since the materiel is generically identified by stock number and condition in both. Request feedback on this concern from DLA Distribution.

8. ESTIMATED TIME LINE/IMPLEMENTATION TARGET:

      a. Target date for DLA Enterprise Business System (EBS) and DLA Distribution Standard System (DSS) implementation in the MRO is April 1, 2015.

      b. Components are requested to identify target implementation date for Component use of these procedures.

9. ESTIMATED SAVINGS/COST AVOIDANCE ASSOCIATED WITH IMPLEMENTATION OF THIS CHANGE: DLA estimated transportation savings at $85,000 based on total SDR population of DLA audit (reference 3.b.).

10. IMPACT:

      a. New DLMS Data Elements: This change adds one new data element:

Carrier Account Number. Identifies the account established with a shipping company (e.g., FedEX, UPS, etc.) by the party responsible for payment of transportation costs.

DLA recommends this data element be established as a maximum of ten alphanumeric characters.

      b. Changes to DLMS Data Elements: None identified.

      c. Automated Information Systems (AIS):

      (1) DSS: System changes will be required to accept carrier information from MRO and perpetuate to the materiel release confirmation. System changes may be required to ensure that the carrier information provided in the MRO is applied rather than an alternative routing logic/transportation contract.

      (2) EBS: System changes will be needed to input carrier information account number on the MRO and accept the perpetuation of this information on the materiel release confirmation.

      (3) DLMS-capable Component ICP systems should be updated to support inclusion of carrier information in MROs and resulting confirmation.

      d. DLA Transaction Services:

      (1) DAAS maps must be updated for the DLMS 940R and 945A.

      (2) The carrier account number must be protected so it is not visible to outside parties. It should not be displayed in Web Visual Logistics Information Processing System (WebVLIPS).

      (3) Request this data field be suppressed when providing copies of the MRO or associated confirmation to Enterprise visibility systems, such as Integrated Data Environment (IDE)/global. Transportation Network (GTN) Convergence (IGC).

e. **Non-DLA Logistics Management Standards Publications:** The following internal
DLA guidance may be impacted.

          (1) Transportation Training Manual

          (2) Stock Readiness Training Manual

          (3) Inventory Training Manual

Enclosure 1, DLM Revisions

Changes are identified by *bold red italics* and strike-through text.

A. Revise Chapter 4, Requisitioning, as follows:

C4.7.14. Preparing MROs

     C4.7.14.1. Originator. MROs, DLMS 940R, Materiel Release, are prepared by the source of supply as a result of processing requisitions against inventory records and determining that materiel is available. MROs are used as a directive for release and shipment of materiel from stock.

     C4.7.14.1.1 MROs directing shipment of requisitioned GFM will perpetuate contract data to include the contract number authorizing GFP, and the call/order and CLIN when available. Contract data will be provided by the source of supply for pushed GFM not initiated by a requisition.

     C4.7.14.1.2. MROs directing shipment of reparables for induction for commercial maintenance will include the contract number authorizing GFP, and the call/order and CLIN when available.

     C4.7.14.1.3. MROs directing shipment of GFP in contractor custody will include the contract number authorizing GFP, and the call/order and CLIN when available.

     C4.7.14.1.4. *MROs directing return of discrepant/deficient materiel to vendors at vendor expense will include identification of the carrier and the carrier account number.*

B. Revise Chapter 17, Supply Discrepancy Reporting, as follows:

     C17.3.12.4. Disposition of Materiel. Use the SDR response as an action reply for those discrepant conditions requiring disposition instructions to the reporting activity, e.g., overages, damages (USPS), deficient materiel (Security Assistance), or erroneous or misdirected materiel.

     C17.3.12.4.1. ~~Returning Discrepant Materiel~~ *Customer Returns.* When discrepant materiel is directed to be returned, the responsible activity will direct the customer to reship the materiel using the same document number under which the materiel was originally shipped. The SDR reply will include the date by which the customer is requested to return the materiel to the designated location. The ICP will require expedited return where appropriate, such as FMS classified/sensitive item returns, and overage returns for back-ordered materiel not available within another customer's required delivery date. The return-to location will be identified by DoDAAC or CAGE (contractors where no DoDAAC is assigned). Clear text addresses may be included in addition to the coded address since all customers may not have access to the authoritative address source. The SoS will provide reimbursement for packing, crating, handling, and transportation for directed returns under MILSBILLS procedures in DLM 4000.25, Volume 4, Finance, procedures *and u*se of the Defense Transportation System (DTS) for the return movement is encouraged *except where use of a designated commercial carrier is more cost effective/efficient or transportation cost will be borne by another party (e.g., a vendor for return of nonconforming materiel)*. As an alternative to providing transportation reimbursement, the responsible action activity may provide the transportation account code (TAC) chargeable for the transportation services *or direct use of a commercial carrier by providing the paying activity's carriers account number or a pre-paid return shipping label.* ~~and supporting information, e.g., the bill of lading number, or small package carrier account information~~.

In those cases were an exhibit of the discrepant materiel is directed for return, the activity requesting this action will pay for exhibit shipment costs. Action activities will either furnish DD Form 1348-1A for materiel to be returned or provide comparable information to accomplish the return. A copy of the SDR and the shipment document will be included with returned materiel and annotated as an "SDR RETURN." When discrepant materiel is directed for return to a contractor, a hard-copy SDR including disposition instructions will be included with the shipment. No statement adversely affecting the Government's claim will be shown on any documentation returned to the contractor. For non-Security Assistance customers, materiel not returned as directed within 90 calendar days (if CONUS) or 120 days (if OCONUS) of the SDR reply will be billed.

C17.3.12.4.2. DLA Distribution Center Returns and Transfers to DLA Disposition Services. SDR disposition instructions to DLA disposition centers may direct disposal or shipment of discrepant/deficient materiel to another location (e.g., return to a vendor) using the appropriate SDR reply code. This type of SDR disposition must be provided concurrent to transmission of the DLMS 940R Materiel Release Order in accordance with MILSTRIP procedures in DLM Volume 2 for clear audit history for inventory reporting. The DLMS MRO supports discrete identification of the carrier and the carrier account number to allow systemic recognition of this information and ensure the appropriate party is charged for the transportation of the nonconforming materiel.[1]

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[1] Refer to PDC 1164

Enclosure 2, DLMS Implementation Conventions (ICs) Revisions

#	Location	Change Table for 940R Materiel Release	Reason
1.	DLMS Introductory Note	<u>Add PDC 1164 to DLMS Introductory note:</u> *- PDC 1164, Revise DLMS 940R Materiel Release Order (MRO) and DLMS 945A Materiel Release Confirmation for Carrier Account Data Associated with Directed Return of Discrepant/Deficient Materiel and Related Administrative Updates*	To identify DLMS changes included in the DLMS.
2.	2/N901/0400	<u>Add Code QJ and associated DLMS notes:</u> **QJ Return Material Authorization Number** **DLMS Note:** *1. Used to identify the paying activity's carrier account number applicable to the identified carrier (2/N101/1100 Code CA) for the directed materiel release. (Field length = 10 positions). Refer to PDC 1164.* *2. Authorized DLMS enhancement; see DLMS introductory note 4f.*	Supports new requirement for carrier account number
3.	2/N101/1100	<u>Add Code CA and associated DLMS notes:</u> **CA Carrier** **DLMS Note:** *1. Use as needed for directed returns to identify the carrier to be used for the return shipment. Refer to PDC 1164.* *2. The carrier is identified by name (N102) and Standard Carrier Alpha Code (SCAC) (N103), when available.* *3. Authorized DLMS enhancement; see DLMS introductory note 4f.*	Supports new requirement for carrier identification.
4.	2/N102/1100	<u>Add new DLMS Note5 (existing notes not shown):</u> **Name** **DLMS Note:** *5. Use with N101 Code CA to identify the carrier by name. (Field length for DLMS is 60 positions.)*	Supports new requirement for carrier identification.
5.	2/N103/1100	<u>Add Code 2 and associated DLMS Note:</u> **2 Standard Carrier Alpha Code (SCAC)** **DLMS Note:** *Use with N101 Code CA to identify the carrier by code.*	Supports new requirement for carrier identification.

#	Location	Change Table for 945A Materiel Release Advice (Version 4010 with comparable changes to Version 4030)	Reason
1.	DLMS Introductory Note	Add PDC 1164 to DLMS Introductory note: *- PDC 1164, Revise DLMS 940R Materiel Release Order (MRO) and DLMS 945A Materiel Release Confirmation for Carrier Account Data Associated with Directed Return of Discrepant/Deficient Materiel and Related Administrative Updates*	To identify DLMS changes included in the DLMS.
2.	2/N901/40	Add Code QJ and associated DLMS Notes: **QJ Return Material Authorization Number** **DLMS Note:** *1. Used to identify the carrier account number applicable to the identified carrier (2/N101/80 Code CA) for the directed materiel release. (Field length = 10 positions). Refer to PDC 1164.* *2. Authorized DLMS enhancement; see DLMS introductory note 4e.*	Supports new requirement for carrier account number.
3.	2/N101/80	Revise DLMS Notes for existing Code CA: **CA Carrier** **DLMS Note:** 1. Use for materiel release confirmations, historical materiel release confirmations, disposal release confirmations, and historical disposal release confirmations to identify the shipment unit carrier when other than the United States Postal Service. 2. The carrier ~~shall be~~ *is identified by* Standard Carrier Alpha Code (SCAC) *in N103*. The carrier name is ~~optional and may be~~ identified in N102. 3. *Perpetuate from the materiel release order to confirm use of the carrier designated for directed return to a vendor. Refer to PDC 1164.* *4.* Authorized DLMS migration enhancement; see introductory DLMS 4*e*~~f~~.	Clarification.
4.	2/N102/80	Revise DLMS Note 1 for existing data field: **Name** **DLMS Note:** 1. ~~May be used~~ *Use* to identify the carrier name (used with Qualifier CA, above). Field length for DLMS is 60 positions.	Clarification.

5.	2/N103/80	Move Federal Note to DLMS Note level for existing Code 2: **2 Standard Carrier Alpha Code (SCAC)** ~~**Federal Note:**~~ **DLMS Note**: 1. Use as needed to identify the commercial carrier. 2. Authorized DLMS migration enhancement; see introductory DLMS 4*e*.	Removes Federal note from DLMS IC.